163384




**City of Hot Springs**
**City Manager's Office**

*P. O. Box 700*
*Hot Springs National Park,*
*Arkansas 71902*

April 18,2002

Read C. Van de Water
Docket Operations and Media Mgmt Division, SVC-124
US Department Of Transportation
400 7th Street, SW, Room PL-401
Washington, D.C. 20590

**Re: Proposal under the Small Community Air Service Development Pilot Program from Hot Springs, Arkansas. Docket #OST-2002-11590-** 30

Dear Ms. Van de Water:

The city of Hot Springs, Arkansas is pleased to submit this proposal to receive assistance in developing airline service in our region. ***Ourproposal requestsfunding assistance of $450,000 to subsidizefaresfor new airline servicefor a limited introductory timeperiod and to advertise and market this new service.*** Our proposal deals with the following key issues:

- Failure of the current airline service
- Key components of our program to improve airline service
- Funding requirements
- Public-private partnership
- Measures of project progress

**Failure of the Current Airline Service**

Hot Springs Memorial Field, located in Hot Springs, Arkansas currently receives an Essential Air Service (EAS) subsidy in support of Big Sky Airlines. The current service provides three daily round trips to Dallas. Big Sky won the EAS route subsidy to Hot Springs after the bankruptcy and departure of Aspen Mountain Air in September of 1998. From the beginning, Big Sky Airlines alienated the business community because of their lack of schedule reliability. In this regard, reported schedule completion rates in the 70% and 80% range were typical of many weeks during 1999 and 2000, with on-time performance averaging much lower. In the early days of Big Sky service, on-time performance in the 50 to 70 percent range was a normal occurrence, particularly when pilot shortages were being experienced by the airline, This lack of reliability was the ultimate problem that eliminated community trust. Numerous times, airline passengers would be waiting in the terminal building for an airplane that was not going to arrive. Notices of cancellations were not given to

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passengers in time for them to make other plans. Business people who have to be at a meeting at a particular time are not willing to take a chance on the failure of the airline to keep its schedule. In the case of Big Sky Airlines, there were repeated failures to the point where no trust remained in the business community.

In addition to the service reliability issues described above, Big Sky airlines does not have joint fare agreements with other carriers in Dallas. In addition, there are no baggage handling agreements with American Airlines at DFW. This creates difficulties with security screening and airline ticket prices. Under the current operation, passengers are flown into Dallas-Ft. Worth International Airport, arriving in Terminal E. If they are connecting to American Airlines, they must retrieve their luggage and go through security screening again before connecting to their American Airlines flight.

**Proposed Program to Improve Small Community Air Service**

The strategic plan for Hot Springs, Arkansas air service development involves a two-pronged program, with the overall goal of capturing local air travels at the local airport:

1) A new airline is needed to recapture trust in air travel in the Hot Springs, Arkansas market. The EAS contract with Big Sky has expired and airline service will be replaced with either Mesa Airlines or Corporate Airlines. No assistance from the USDOT is needed for this portion of our air service improvement program.

2) It is believed that a program that combines a targeted advertising campaign and a short-term airline fare subsidy would be the most effective in inducing air travelers to sample the local air service. This type of program has been successfully used by Southwest Airlines on a much larger scale for each new market that they enter. On a smaller scale in Hot Springs, Arkansas, both advertising and fare subsidies in the near term will result in new ridership and shifting of travel patterns. With the new airline, we believe high quality, reliable airline service will ultimately sell itself over the long term. Discussions with local business leaders indicate that the following program goals for airline service are both reasonable and achievable in the short term future:

- Year 2000: 2,570 enplanements or 5,140 total passengers
- First year with new airline: 5,250 enplanements or 10,500 total passengers
- Second year: 7,000 enplanements or 14,000 total passengers
- Fifth year: 12,600 enplanements or 25,200 total passengers

If the new service is reliable and maintains cost parity with other options, local business leaders will direct their employees to use the service. This type of community support is directed, intentional, and necessary to the success of the plan.

**Funding Requirements**

Funding requirements include requests for both a marketing program and introductory air fare subsidy for our new airline.

### *Marketing Program*

In order to successfully transition from Big Sky Airline service to either Mesa Airlines or Corporate Airlines service, local perceptions concerning the reliability of airline service will have to be changed. Further, the potential airline users in the service area will have to be alerted that a change has been made with regard to air carriers serving the local airport. The most effective means of communicating this change will be through an advertising program that reaches all potential air travelers within the primary service area. This service area and target market can be defined as inclusive of the Hot Springs-Garland County area.

The marketing program will use advertising media including radio, newspapers, with limited television spots, These paid programs will be supplemented with press releases, live interviews, and a speaker's bureau program to address civics associations. The primary message will be to raise awareness about local air service availability and to convey that a new airline has reliable air service. The cost of the advertising campaign envisioned to raise awareness of the new airline service is $75,000 over a period of 12 months to achieve the desired results. Our proposal presents a detailed description of the scope and cost of the marketing program.

### *Introductory Air Fare Subsidy*

For the Hot Springs, Arkansas proposal, air fares would be subsidized to permit an average add-on of $29 for all Dallas - Hot Springs trips. After the introductory period of **6** months, these add-on fares would be raised to $49 for an additional **6** months. At the end of the one-year period, air fares would no longer be subsidized and the market would return to pre-subsidized price levels. The foundation of the program is the desire to get local air travelers to try the new airline service.

The air fare subsidy required for the program can be estimated to total $450,000 for a one-year program, which will be matched by a $50,000 local share. Because the program is designed to introduce the new airline service, this promotional money will not be needed in future years. That is, the airline service is ultimately expected to stand on its own, once air travelers have been induced to use it.

### Public-Private Partnership

The impetus to improve airline service and change airline carriers for Hot Springs, Arkansas came from two areas: local municipal governments and private companies. In this regard, an Airport Action Group is being formed in support of airline service improvement. Hot Springs is the public entity that has been designated to receive the grant under this program. CEOs and leaders of area businesses have met regularly with local government representatives to address the airline service issue. Companies and organizations represented in these discussions include:

- Weyerhaeuser Wood Products
- Regions Bank
- Mountain Valley Spring Water
- Alliance Rubber

- Munroe Shoes
- St. Joseph Medical Center
- Garland County Economic Development Agency
- Hot Springs Chamber of Commerce
- Local Travel Agencies
- City of Hot Springs

As a result of these discussions and input, a commitment of $50,000 in cash matching funds was raised in support of this proposal. This public/private partnership is designed for success. Fortunately, the business sector is leading the support effort and working to ensure the long-term success of new airline service in the region.

**Measures of Success**

The greatest measure of success of the program will be the increase in passengers using airline service provided at Hot Springs Memorial Field. The passenger enplanement history since 1998has been declining. Thus, any gain in passengers will be an improvement. However, we are anticipating that there will be a two-fold increase in total passengers using the airport. In addition, an evaluation method has been outlined that will modify or suspend the requested funding if program goals are not met.

**Assurances**

We can assure the US Department of Transportation that all monies and grants received under this program will be applied specifically to the project listed in our proposal.

* * * * * * *

Thank you for your attention to this proposal. We look forward to working with you to improve air service in the Hot Springs, Arkansas region.

Sincerely,

**Mike** Bush
Mayor

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# Hot Springs, Arkansas Air Service Development Proposal

## *1. EXISTING AND HISTORICAL AIR SERVICE*

THE HISTORICAL BACKGROUND OF AIR SERVICE IN Hot Springs indicates that at the height of enplanement demand (1976-1980), air service was provided to Texarkana, Dallas, and Memphis. Small commuter aircraft seating 19 passengers were used in this service. Table 1 presents an historical summary of airline enplanement demand at Hot Springs. After the Essential Air Service program was instituted, Hot Springs's enplanements have remained at a much lower level than the 1978 "high water mark." In recent years, the reliability of service has been a major deterrent to use by local businesses.

**Table 1 - Historical Enplanements**

| Year | Enplanements |
|---|---|
| 1978 | 29,937 |
| 1983 | 7,303 |
| 1988 | 939 |
| 1993 | 3,999 |
| *1 Year Historical Increments* | |
| 1995 | 3,957 |
| 1996 | 3,147 |
| 1997 | 2,990 |
| 1998 | 3,738 |
| 1999 | 2,610 |
| 2000 | 2,570 |

Source: FAA Terminal Area Forecasts

The genesis or desire for this air service improvement program came from the business community, through informal feedback on the level of dissatisfaction with existing air service. The bankruptcy and departure of Aspen Mountain Air in September of 1998 led to replacement service from Big **Sky** Airlines. Business and personal use of the local airport has been hampered by the unreliability of airline service since 1998.

Currently, Hot Springs, Arkansas is served by Big Sky Airlines with three, non-stop round-trips to Dallas during the week. There is a reduced schedule on the weekend. Service is provided with 19-seat Metro-I11 aircraft. Round-trip fare to Dallas is $183.50. This service is subsidized by the United States Department of Transportation, Essential Airline Service Program with roughly $1.125 million annually. Since Big **Sky** began service in October, 1998, they have carried an average of approximately 200 passengers per month. Until September 11, 2001, this total has not grown. As of February, 2002, the passenger count had returned to the pre-9/11 levels.


Historical levels of air passengers show the fact that air service in Hot Springs is having minimal impact on the travel patterns of local businesses and vacation travelers. As shown in Table 1, the recent history for Hot

Springs has shown annual enplanement numbers ranging less than 3,000. This low number of enplanements is clearly unacceptable to the business community, who view the airport as an extension of the local transportation infrastructure. The desire is to have the airline service self-sufficient as quickly as possible. This would mean the realization of significantly more passengers than are currently being enplaned at the airport.

## 2. LOCAL AIR TRAVEL MARKET

THE AIRLINE SERVICE AREA FOR HOT SPRING MEMORIAL FIELD can be defined as including the city of Hot Springs and all of Garland County and portions of Hot Spring County. Situated in central Arkansas roughly 60 miles from the State capital of Little Rock, Hot Springs and Garland County are strategically located within 500 miles of 20 percent of the total U.S. population, providing convenient access to major markets such as Dallas, Atlanta, New Orleans, St. Louis, Memphis, Houston, and Oklahoma City.

There are a number of key economic and demographic measures of potential air service demand from within the region. The following factors are included in this section:

- History and Local Attractions
- Population
- Business and Industry
- Transportation Infrastructure

### 2.1 History and Local Attractions[1]

Garland County was formed on April 5,1873, and named for Augustus H. Garland, Governor of Arkansas, U.S. senator, and Grover Cleveland's attorney general. Unusual natural resources have drawn visitors to the Garland County area throughout its history. In 1832, Hot Springs National Park, became the first national reservation set aside for recreational purposes and is the only National Park within a city. The 47 springs along the base of Hot Springs Mountain sustained a thriving American Spa that attracted people to its "healing thermal waters" for more than a century. Almost a hundred years ago, major league baseball teams began coming to Hot Springs for spring training. The Chicago Cubs were first, followed by the Pittsburgh Pirates, the Boston Red Sox, and the St. Louis Cardinals.

Today the famous bathhouses of Bathhouse Row are all but a memory, yet people continue to come to Hot Springs and the beautiful hills and lakes surrounding it. *Gallery Walk,* which is held downtown the first Thursday of each month, features exhibits and art shows from some 25 galleries. Attractions such as *Magic Springs, Mid-America Museum,* which offers a "hands-on" approach to the exhibits of life, energy, matter, and perception, and the *Hot Springs Mountain Tower* draw thousands of visitors annually. Hot Springs also offers live thoroughbred racing from January through April and simulcasting from other race tracks, from May through the fall each year, which draws crowds of thousands. One of the largest quartz crystal mine operations in North America is located in Garland County and allows visitors to dig for their own crystals for a daily fee and keep whatever they find at no additional charge.

Lake Ouachita and Lake Catherine State Parks are nestled in the Ouachita Mountains within

[1] Source: www.garlandcounty.org

an hour's drive of one another. Lake Ouachita State Park located northwest of Hot Springs on Lake Ouachita has 102 campsites and features all water sports. Lake Catherine State Park also offers camping, water sports, and hiking. Lake Ouachita, a Corps of Engineers lake, has 975 miles of shoreline (the largest in the state), while the smaller Lake Catherine has only 80 miles. The third lake in the area to offer recreational facilities is Lake Hamilton with 240 miles of shoreline and is the most populated of the three lakes. The Ouachita National Forest has camping and recreational facilities. Charlton Recreation Area along Red Creek has swimming, fishing, picnicking, hiking and camping sites.

## 2.2 Population

The population of Hot Springs in the 2000 census was recorded at 35,750. Garland County population reflected 20 percent growth from 1990 to the 2000 census, now reaching almost 90,000 inhabitants. Historical growth in population for Garland County is shown as follows:

| | | |
|---|---|---|
| o | 1970 | 54,620 |
| o | 1980 | 70,545 |
| e | 1990 | 73,497 |
| ● | 2000 | 88,068 |

Growth in population for Hot Springs and Garland County has outpaced the growth of both Arkansas and the nation. Similarly, per capita personal income is higher for Garland County than for the State of Arkansas.

## 2.3 Business And Industry

Recreation and tourism have always been mainstays of the Garland County's economy, along with livestock production and logging in its plentiful forests to create a stable industrial base. Garland County has had a full-time staff in its industrial development office since 1989. The County's Enterprise Zone program makes businesses eligible for tax breaks and credit for creating new jobs. A local community college, a technical college, and three universities located within 50 miles secures a knowledgeable and available workforce. Workforce training assistance is also available for larger employers. Within the past year (2001), twelve hundred new jobs have been created while unemployment rates still fall under 5%. Technology and transportation meet at our new fiber park located adjacent to the Hot Springs Municipal Airport. Railroad and trucking services are readily available for transportation needs. Major employers in the area include:

| EMPLOYER | JOBS |
|---|---|
| St. Joseph's Regional Health Center | 1,450 |
| National Park Medical Center | 707 |
| Weyerhaeuser Company | 573 |
| Oaklawn Park | 650 |
| Chem-Fab Corporation/related companies | 695 |

| EMPLOYER | JOBS |
|---|---|
| Walmart Stores | **666** |
| City of Hot Springs | **511** |
| Southwest Hotels (Arlington & Majestic) | **529** |
| Hot Springs School District | **450** |
| Lake Catherine Footwear/Munro Corp. | **350** |
| Delta Plastics, Inc. | **260** |
| Abilities Unlimited | **250** |
| Garland County Community College | **250** |
| Alliance Rubber | **215** |

Services industries have the highest percentage of the workforce, with **33** percent. Retail trade **(22** percent), Construction **(10** percent), Government **(10** percent), and Manufacturing **(9** percent) make up the bulk of total employment, with other industries making up the balance. It is worth noting that Arkansas' workers have a traditional rural heritage solidly grounded in the classic American belief of giving a full day's work for a day's pay.

## *2.4 Transportation Infrastructure*

One of the requirements of a strong labor market is the need for adequate transportation infrastructure. In this regard, the service area is served by **U.S.** Interstate Highway **30, U.S.** Highways **270** and 70 and State Highways 7 and **128.** Hot Springs is served by Arkansas Midland Railroad, which provides daily service through its seamless connection with the **Union** Pacific. This brings personalized rail service to meet the individual requirements of local companies along with access to the national rail system. This combination of improved local switching plus a convenient connection to the largest railroad in the country, provides local businesses with superior market coverage and service.

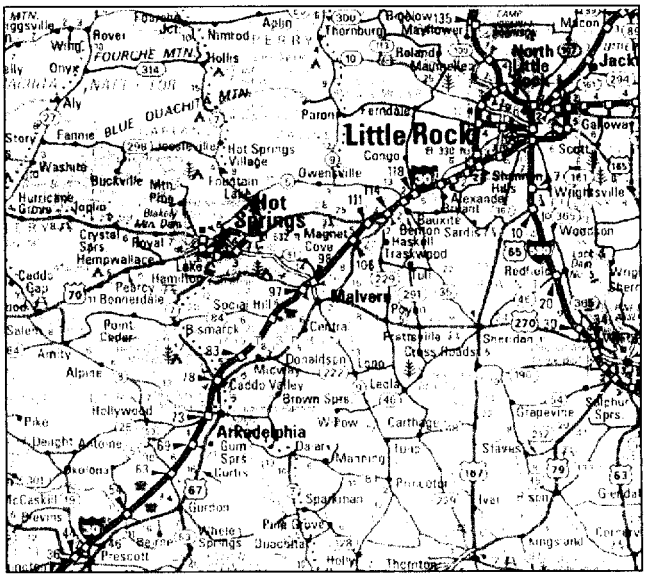


***Figure 2 - Highway Infrastructure*** ***Source: Rand McNally***

Hot Springs Memorial Field located 3 miles southwest of Hot Springs offers scheduled commercial service to Dallas/Ft. Worth Airport via Big **Sky** Airlines. Charter services are also available. Memorial Field is equipped to handle large and medium-sized and corporate jets. It has a **6,600** foot main runway, with one additional runway of **4,100** feet, full navigational aids, fuel and maintenance facilities, and automobile rental services. There are a number of smaller general aviation airports in the service area. Other commercial airline service available to air travelers from the region include:

| | | Driving Distance |
|---|---|---|
| e | Little Rock - Adams Field | 55 |
| e | Texarkana | 108 |
| e | Dallas, Texas | 285 |

Low fare service from Southwest Airlines is available in Little Rock and has been a draw for personal travel from the Hot Springs, Arkansas region. Leakage to Little Rock's National Airport was estimated at roughly **93** percent of Hot Springs total passenger traffic. That number is changing slightly due to the long security delays encountered at the Little Rock airport. It has become more convenient to fly from Hot Springs for some business destinations.

# 3. IDENTIFICATION OF COMMUNITY NEED

THE IDENTIFICATION OF COMMUNITY AIR SERVICE NEED for Hot Springs - Garland County citizens is described in the following contexts:

- Failure of Current Carrier
- Current Driving/Flying Patterns
- Estimates of Potential Demand
- New Service Carrier

## 3.7 Failure of Current Carrier

It can be stated from the information learned from local surveys that the current carrier has damaged its reputation past the point of repair. No confidence is placed in the carrier by businesses or travel agencies directing passengers to airline airports. The primary reason for this involves the lack of schedule reliability. In this regard, reported schedule completion rates in the 70% and 80% range were typical of many weeks during 1999 and 2000, with on-time performance averaging much lower. In the early days of Big Sky service, on-time performance in the 50 to 70 percent range was a normal occurrence, particularly when pilot shortages were being experienced by the airline. This lack of reliability was the ultimate problem that eliminated community trust. Numerous times, airline passengers would be waiting in the terminal building for an airplane that was not going to arrive. Notices of cancellations were not given to passengers in time for them to make other plans. Business people who have to be at a meeting at a particular time are not willing to take a chance on the failure of the airline to keep its schedule. It only takes one failure to drive off a business person for good. In the case of Big Sky, there were repeated failures to the point where no trust remained in the business community.

In addition to the service reliability issues described above, Big Sky airlines does not have joint fare agreements with other carriers in Dallas. Also, there are no baggage handling agreements with American Airlines at DFW. This creates difficulties with security screening and airline ticket prices. Under the current operation, passengers are flown into Dallas-Ft. Worth International Airport, arriving in Terminal E. If they are connecting to American Airlines, they must retrieve their luggage and go through security screening again before connecting to their American Airlines flight.

## 3.2 Current Driving/Flying Patterns

As mentioned above, the lack of trust in schedule reliability has caused local residents to drive past the local airport to Little Rock to begin the air portion of their trips. A survey of businesses in the Hot Springs area was conducted in the fall of 2001. These surveys were key to gauging the attitudes and travel patterns of airline users in the area.

In summary, there were a number of very key points learned as a result of the survey of businesses in the Hot Springs air service area:

- The Hot Springs traveler flies most often for business.
- Nearly 93% of Hot Springs travelers use Little Rock National Airport.
- The estimated size of the Hot Springs market is 68,600 passengers.
- The number 1 travel concern of Hot Springs area business travelers is the reliability of service, followed convenience and low airline fares.
- Hot Springs passengers are willing to pay a average price premium of $29 to fly from Hot Springs versus Little Rock.

The majority of general comments received indicated a need for better air service at the airport and many stressed the importance of reliability. Many business travelers will not give a local commuter airline a second chance, once a flight has been canceled or delayed for non-weather reasons. If business travelers have to be at a given destination, they will often drive to Little Rock where there is a high probability and assurance that even in bad weather some airline will be flying to their destination.

## *3.3 Estimates of Potential Demand*

As mentioned above, a survey of service area businesses was undertaken to determine local air travel patterns. These travel patterns and demand could then be translated into airline routes to gateway hubs. The estimation of local air passenger demand for Hot Springs could not be taken directly off the survey responses since they do not represent a census of total possible airline passengers in the region. Rather, a method was developed that permits the use of actual enplanement numbers at Hot Springs Memorial, combined with estimates of passenger leakage to other larger airports. For example, the survey indicated that a total of 92.5 percent of all airline travel occurred at airports other than Hot Springs Memorial. Using the 92.5 percent as the estimate of non-Hot Springs Memorial demand, and 5,140 as the Hot Springs Memorial demand, a mathematical relationship shows that a total of 68,600 passengers were represented in the Hot Springs service area.

### Comparative Analysis

In addition to the survey forecast method, a comparative analysis was used to estimate total air passenger demand in the Hot Springs service area. **A** comparative analysis examines historical performance of other cities with air service that are similar in size and economic profile to the Hot Springs air service area. Obviously, there are numerous factors that contribute to the success of an airline operation and no two communities are exactly alike. But there is value in looking at the common measures of airline demand, including the number of enplanements-per-capita that occur in different communities and the impact of larger nearby airline airports on demand.

For this study, a model was used that estimates total potential air travel demand from small cities located near major alternate airports. Because we know that large airports attract a certain percentage ofpassengers from smaller airports, one way of estimating the effects of this phenomenon is to chart the information from many different airports concerning their number of enplanements, their population, and their distance to the nearest larger airline airport. Recent statistical information from 91 communities throughout the U.S. was gathered in developing the model. Information input

to the model included: enplanements, city/county population, and distance to the nearest large hub air terminal.

One other factor was important in measuring the actual ability of an airport to capture local airline passengers: the type of air service offered. In this regard, airports with jet service enplaned more ***per capita*** than did airports with turbo-prop service only. Similarly, airports with 19-seat turbo-prop only service enplaned fewer passengers per capita than did airports with larger sizes of turbo prop only aircraft. For these reasons, three estimates of local demand were generated: one for the total service area and two for the probable immediate demand that could be captured with 1) good local service using all turbo-prop aircraft types and, 2) for 19-seat aircraft only.

- Total Garland County service area potential: 53,800 annual enplanements.
- All turbo-prop aircraft market capture potential: 17,400 annual enplanements
- 19-seat market capture potential: 12,600 annual enplanements.

**Selected Forecast of Potential Enplanements**

The demand forecasting technics for the Hot Springs service area indicated that the airline service area generates numerous passengers annually. In addition to the Hot Springs Memorial Field, these passengers are currently flying from Little Rock. The overall level of air passengers from the service area is probably between 55,000 and 70,000 annual passenger enplanements.

Once that overall demand estimate is generated, it becomes an entirely separate effort to determine what percentage of these travelers can be captured at the local airport. The formulas developed above, using small communities with regional carrier service, would yield a capture of roughly **18** to 25 percent of the potential, depending upon the type of airline service provided. For 19-seat only airline service, a total of 12,600 annual enplanements are possible. With larger turboprop aircraft service, this potential could reach 17,400 enplanements. Thus, for our benchmark in Hot Springs, a total of 12,600 enplanements will be used for the near term future. For the longer term, assuming larger turboprop air service and reasonable fares, it would not be out of the question to consider up to 19,300 annual enplanements.

## *3.4 New Carrier Service*

After an extensive campaign by local businesses, a change is being sought in the carrier serving Hot Springs, Arkansas. In this regard, both Corporate Airlines and Mesa Airlines are vying for the route. Both Mesa Airlines and Corporate Airlines bring an impressive resume of 90+ percent schedule completion. This completion rate is comparable to many of the major carriers and reflects an attention to detail that was lacking with Big Sky Airlines. The high schedule reliability rate also answers the issue of most concern to business and personal travelers: will the airline be there when they schedule a flight? Reliability was the number one issue listed by the businesses surveyed. Both Mesa Airlines and Corporate Airlines are prepared to show the region that it can provide high-quality reliable service. If the selected airline can deliver on its track record, it will win a significant amount of local passenger loyalty.

## Challenges Associated with a New Airline

The obvious challenges associated with introducing a new airline and possibly a new gateway hub to Hot Springs, Arkansas region involve:

- Overcoming existing perceptions concerning airline reliability
- Changing existing driving/flying habits formed as a result of the previous carrier

These challenges are the focus of our proposal for AIR 21 Small Community Air Service Development Pilot Program funding. Our premise is that existing perceptions concerning airline reliability can be changed through a marketing program and community experience with the airline over time. The airline can prove itself, but the message that things have changed is vital to get out to the regional air travelers and their employers. This message, if combined with an incentive or inducement to try the service should result in converted air travel behavior.

## *4. PUBLIC/PRIVATE PARTNERSHIP*

THE IMPETUS TO IMPROVE AIRLINE SERVICE AND change airline carriers for Hot Springs, Arkansas came from two areas: local municipal governments and private companies. In this regard, an Airport Action Group is being formed in support of airline service improvement. The City of Hot Springs is the public entity that has been designated to receive the grant under this program.

CEOs and leaders of area businesses have met regularly with local government representatives to address the airline service issue. Companies and organizations represented in these discussions include:

- Weyerhaeuser Wood Products
- Regions Bank
- Mountain Valley Spring Water
- Alliance Rubber
- Munroe Shoes
- St. Joseph Medical Center
- Garland County Economic Development Agency
- Hot Springs Chamber of Commerce
- Local Travel Agencies
- City of Hot Springs

As a result of these discussions and input, a commitment of $50,000 in cash matching funds was raised in support of this proposal. This public/private partnership is designed for success. Fortunately, the business sector is leading the support effort and working to ensure the long-term success of new airline service in the region.

## 5. STRATEGIC PLAN

THE STRATEGIC PLAN FOR HOT SPRINGS, ARKANSAS air service development involves a two-pronged program, with the overall goal of capturing local air travels at the local airport. There is no need to stimulate air passenger demand in the area. Therefore, the most important facet of the air service improvement program is to design an air service schedule and pricing package that will capture a greater number of service area passengers already flying from other nearby airports.

It is believed that a program that combines a targeted advertising campaign and a short-term airline fare subsidy would be the most effective in inducing air travelers to sample the local air service. This type of program has been successfully used by Southwest Airlines on a much larger scale for each new market that they enter. On a smaller scale in Hot Springs, Arkansas, both advertising and fare subsidies in the near term will result in new ridership and shifting of travel patterns. With the new airline, we believe high quality, reliable airline service will ultimately sell itself over the long term. Discussions with local business leaders indicate that the following program goals for airline service are both reasonable and achievable in the short term future:

- Year 2000: 2,570 enplanements or 5,140 total passengers
- First year with new airline: 5,250 enplanements or 10,500 total passengers
- Second year: 7,000 enplanements or 14,000 total passengers
- Fifth year: 12,600 enplanements or 25,200 total passengers

If the new service is reliable and maintains cost parity with other options, local business leaders will direct their employees to use the service. This type of community support is directed, intentional, and necessary to the success of the plan.

The two necessary components of the proposed air service improvement plan are described in the following sections.

### 5.1 Marketing Program

In order to successfully transition from Big Sky Airline service to either Mesa Airlines or Corporate Airlines service, local perceptions concerning the reliability of airline service will have to be changed. Further, the potential airline users in the service area will have to be alerted that a change has been made with regard to air carriers serving the local airport. The most effective means of communicating this change will be through an advertising program that reaches all potential air travelers within the primary service area. This service area and target market can be defined as inclusive of the Hot Springs - Garland County area.

The marketing program will use advertising media including radio, newspapers, with limited television spots. These paid programs will be supplemented with press releases, live interviews, and a speaker's bureau program to address civics associations. The primary message will be to raise awareness about local air service availability and to convey that a new airline has reliable air service.

Appendix A presents a summary of the scope and cost of the advertising campaign envisioned to raise awareness of the new airline service. As shown, it will cost $80,000 over a period of 12 months to achieve the desired results.

**Measures of Success**

Measures of the success of the advertising campaign will be conducted by the advertising agency with the goal of gathering and evaluating passenger usage statistics at regular intervals throughout the term of the marketing effort (three months, six months, nine months, and one year). In addition, surveys would be conducted to determine customer satisfaction and air service awareness at predetermined intervals (three months, six months, nine months, and one year) throughout the term of the marketing effort in order to measure and compare gains in awareness and satisfaction.

There should be a direct relationship between the passenger ridership and the customer satisfaction and awareness recorded. The effectiveness of the marketing program can be measured through these means over time.

## *5.2 Air Fare Subsidy*

Airline fares for Hot Springs under Big Sky service have run $89 for a one-way ticket to Dallas (taxes and fees included). A stage length of 250 miles to Dallas results in average yields of $0.356/mile. This yield is high compared to the top 75 city pair Origin & Destination (O&D) markets out of Dallas, which have average yields of $0.264/mile[2]. Also, since Big Sky Airlines did not have joint fare agreements with other airlines, no pro-rated or discounted fares could be offered. Thus, air travelers that connected in Dallas to travel on to other cities had to buy two airline tickets: one from Hot Springs to Dallas, and one from Dallas to the final destination on that other airline. In essence, there is a $89 add-on fee to any ticket out of Dallas to connect back with Hot Springs.

If Corporate Airlines is selected to serve the market, ticket prices will moderate to roughly $80.00 for a one-way fare to Memphis. If Mesa Airlines is selected to serve the market, ticket prices will moderate to an average $79 for a one-way fare to Dallas (see Appendix B). While this is a step in the right direction, it is believed that a necessary component of the introduction of new airline service will be the reduction of fares *to* very low prices in order to get potential air passengers to try the service. On a much larger scale, this is the same program employed by Southwest Airlines whenever they enter a new market. For example, introductory period one-way air fares are reduced to as low as $29 and $39 levels. Once the introductory period is over, air fares are increased incrementally on a market-by market basis.

For the Hot Springs, Arkansas proposal, air fares would be subsidized to permit an average

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[2] Source: **US** Department of Transportation, *Domestic Airline Fares Consumer Report-First Quarter 2001 Passenger and Fare Information,* October *2001*

add-on of $29 for all Dallas - Hot Springs or Memphis-Hot Spring trips. After the introductory period of 6 months, these add-on fares would be raised to $49 for an additional 6 months. At the end of the one-year period, air fares would no longer be subsidized and the market would return to pre-subsidized price levels. The foundation of the program is the desire to get local air travelers to try the new airline service.

The air fare subsidy required for the program can be estimated as shown in Table *3*. As shown, there is a one-year need for a total of $420,000 in airline fare subsidies. Because the program is designed to introduce the new airline service, this promotional money will not be needed in future years. That is, the airline service is ultimately expected to stand on its own, once air travelers have been induced to use it.

Table 3 - Airline Passenger Subsidy Totals

| Timeframe | Forecast Passengers | Subsidy Per Passenger | Total Requirement |
|---|---|---|---|
| 0-6 Months | 5,250 | $50 | $262,500 |
| 7-12 Months | 5,250 | $30 | $157,500 |
| TOTALS | 10,500 | | $420,000 |

**Measures of Success**

Results of this subsidy can be measured by the increase in passengers. For example, year 2000 enplanements of 2,570 are expected to be doubled by this subsidy to 5,250. If more passengers are attracted than were forecast, the subsidy per passenger can be lowered to stay within the total requirement of $420,000. **A** successful subsidy program will grow the number of enplanements to reach targeted goals. The target for this subsidy is to more than double passenger traffic from roughly 5,140 passengers to 10,500 in one year. Any passenger traffic above the goal would be considered a windfall to the program.

## 6. FUNDING REQUIREMENTS

FUNDING REQUIREMENTS FOR THE AIR SERVICE IMPROVEMENT program have been estimated to total $500,000. Table 4 presents a summary of project costs and sources of funds. As shown, the total grant requested from the AIP is $450,000, with $50,000 pledged from local sources. Our local match of funding amounts to 10% of the total funding requirement. Our funding is in cash and not in-kind services and represents a level of commitment of local businesses and industries in the success of the air service program in Hot Springs, Arkansas. Appendix C presents a letter of commitment for local share matching funds.

Table 4 - Total Funding Requirements

| Item/Timeframe | AIP Grant | Local Contribution | Total Funding |
|---|---|---|---|
| Fare Subsidy | | | |
| 0-6 Months | $236,250 | $26,250 | $262,500 |
| 7-12 Months | $141,750 | $15,750 | $157,500 |
| Advertising Campaign | | | |
| 0-3 Months | $35,000 | $4,000 | $39,000 |
| 4-6 Months | $20,000 | $2,000 | $22,000 |
| 7-12 Months | $17,000 | $2,000 | $19,000 |
| TOTALS | $450,000 | $50,000 | $500,000 |

The qualified Sponsor that will receive the grant for this program is the City of Hot Springs, Arkansas. Along with the acceptance of the grant go assurances from the City that all monies received will be spent in accordance with grant restrictions and covenants. No grant money will be diverted to other uses. This statement will be attested in the cover letter of this proposal.

## 7. MEASURES OF SUCCESS

THE GREATEST MEASURE OF SUCCESS OF THE program will be the increase in passengers using airline service provided at Hot Springs Memorial Field. The passenger enplanement history since 1998 has been declining. Thus, any gain in passengers will be an improvement. However, we are anticipating that there will be a two-fold increase in total passengers using the airport.

### 7.7 Fare Subsidy

Measuring the spending per passenger as a means of comparison, the total program will spend roughly $48 for each passenger enplaned. If the existing level of passengers is not included, the ratio increases to $95 for each ***new*** passenger attracted to the local airline service. This works out to $85.70 in grant money and $9.50 in local match funds for each new passenger attracted.

Forecasts of activity are contingent upon good and reliable air service being provided and of the air fares projected at the pro-forma rates described in this proposal. The success of the air fare subsidy program can be measured by the direct increase in the number of passengers enplaned by the new airline. In this regard, the goal of 10,500 annual total passengers represents a 100 percent attainment of goals, while any fraction of that amount represents a deficiency in goal attainment. Tracking measures to ensure the program is working will examine a month-by-month report of enplaned passengers and compare that to projected goals. The first six month goal will be 5,250 passengers, with the second six months having the same numeric goal.

### 7.2 Advertising

As mentioned previously, the success of advertising can be measured through a variety of means. Steps in this process would include:

- For this effort, a survey will be conducted that evaluates customer satisfaction and air service awareness within the community in relation to the most recent carrier. This is to establish a baseline from which all future improvements and gains can be measured and compared. It is important that this survey be identical in construction and scope to all surveys performed at later dates, thereby minimizing the need for interpretation and the possibility of skewing results by subjective manipulation. Utilizing the same survey questions and methodology will obtain the most accurate results.

- Having thus established a solid baseline, the campaign for the new carrier is then initiated and implemented.

- Gather and evaluate passenger usage statistics at regular intervals throughout the term of the marketing effort (three months, six months, nine months, and one year).

- Conduct customer satisfaction and air service awareness surveys at predetermined intervals (three months, six months, nine months, and one year) throughout the term of the marketing effort in order to measure and compare gains in awareness and satisfaction.

There should be a direct relationship between the passenger ridership and the customer satisfaction and awareness recorded. The effectiveness of the marketing program can be measured through these means over time.

## 7.3 Notification & Modification

During the life of the program, the Department of Transportation will be notified at the 6-month point as to how the program is functioning. If stated goals are being met, no adjustment will be needed. If, however, no improvement can be tracked in the number of passenger enplanements or in the level of awareness of the local air service product, changes to the program can be made.

### *Air Fare Subsidy Modification*

The fewer the number of passengers, the lower the total subsidy requirement for air fares. Thus, if the passenger estimates do not meet forecasts, no modification to the program will be needed, with the exception of not requesting the full amount of the grant at the end of the year.

### *Advertising Modification*

The main thrust of the advertising program is scheduled to take place in the first 3 months of new airline service, with a diminished program after that. Measures of advertising effectiveness will be documented for 3-month, 6-month, 9-month, and 1-year periods via surveys of satisfaction and awareness of the new product in the local service area, combined with ridership statistics. If no gains are posted in any category after the first 3 months, the program will be brought to a close. If gains are shown in each successive period, the program will continue throughout the one year planned period.

## 7.4 Summary

The ultimate measure of success will be the attainment of passenger ridership goals. In this regard, exceeding the planned 10,500 passenger level in the first year would surpass the attainment of the first measurable goal. Future goals to be attained include the following:

- First year with new airline: 5,250 enplanements or 10,500 total passengers
- Second year: 7,000 enplanements or 14,000 total passengers
- Fifth year: 12,600 enplanements or 25,200 total passengers

It is believe that these goals are realistic and achievable with quality air service. This number of passengers should ultimately result in the growth of self-supporting air service, with no subsidies.

# Appendix A:
Marketing Program Costs

**Marketing Campaign**
**NEW AIR SERVICE**
**HOT SPRINGS/LITTLE ROCK, AR**

| | | | | 1st Month | 2nd Month | 3rd Month | 4th Month | 5th Month | 6th Month | 6-Mo. Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **DIRECT MAIL** | | | | | | | | | | |
| Chamber Mailing Lists | | | | | 350 | 350 | 350 | | 350 | **$1,400** |
| President/CEO letters | | | | | 125 | 125 | 125 | | 125 | **$500** |
| **NEWSPAPER** | | | | | | | | | | |
| Hot Springs Sentinel-Record | 2x/month | 30" @ 12.5 | 720 | | 720 | 720 | 720 | 720 | 720 | **$4,320** |
| Hot Springs Village Voice | 3x/month | 30" @ 7 | 630 | | 630 | 630 | 630 | 630 | 630 | **$3,780** |
| **CABLE TV** | | | | | | | | | | |
| Resort TV Cable - networks - CNN/Weather Channel/ ESPN/HeadlineNews/USA | $4- 8 spot | | | 2200 | 2200 | 2200 | 2200 | 2200 | 2200 | **$13,200** |
| **RADIO** | | | | | | | | | | |
| Garland County Market Stations | $7 - 14 spot | | | 1500 | 1500 | 1500 | 1500 | 1500 | 1500 | **$9,000** |
| **BILLBOARDS** | | | | | | | | | | |
| El Dorado - 4 boards | 265 month | | | 1060 | 1060 | 1060 | 1060 | 1060 | 1060 | **$6,360** |
| Regional - 3-4 boards | 265 month | | | 1060 | 1060 | 1060 | 1060 | 1060 | 1060 | **$6,360** |
| **PRODUCTION** | | | | | | | | | | |
| **PRINT** | | | | | | | | | | |
| Design/layout print ads | 3 | | | 150 | | | | | | **$450** |
| **RADIO** | | | | | | | | | | |
| :30 Radio spots | 3 | | | 200 | | | | | | **$600** |
| **VIDEO** | | | | | | | | | | |
| :30 TV Spot | 1 | | | 2500 | | | | | | **$2,500** |
| **BILLBOARDS** | | | | | | | | | | |
| Vinyl Flexface 12 x 24 posters | 7 | | | 390 | | | | | | **$2,730** |
| | | | | | | TOTALS | | | | **$51,200** |

**Marketing Campaign**
**NEW AIR SERVICE**
**HOT SPRINGS/LITTLE ROCK, AR**

| | | | 7th Month | 8th Month | 9th Month | 10th Month | 11th Month | 12th Month | 7-12 Months |
|---|---|---|---|---|---|---|---|---|---|
| **DIRECT MAIL** | | | | | | | | | |
| **Chamber Mailing Lists** | | | | **350** | **350** | **350** | | **350** | **$1,400** |
| President/CEO letters | | | | 125 | 125 | 125 | | 125 | **$500** |
| **NEWSPAPER** | | | | | | | | | |
| Hot Springs Sentinel-Record | 2x/month | 30" @ 12.5 | 390 | 390 | 390 | 390 | 390 | 390 | **$2,340** |
| Hot Springs Village Voice | 3x/month | 30" @ 7 | 210 | 210 | 210 | 210 | 210 | 210 | **$1,260** |
| **CABLE TV** | | | | | | | | | |
| Resort TV Cable - networks - CNN/Weather Channel/ ESPN/HeadlineNews/USA | $4- 8 spot | | 1200 | 1200 | 1200 | 1200 | 1200 | 1200 | **$7,200** |
| **RADIO** | | | | | | | | | |
| Garland County Market Stations | $7 - 14 spot | | 800 | 800 | 800 | 800 | 800 | 800 | **$4,800** |
| **BILLBOARDS** | | | | | | | | | |
| El Dorado - **4** boards | 265 month | | 1060 | 1060 | 1060 | 1060 | 1060 | 1060 | **$6,360** |
| Regional - 3-4 boards | 265 month | | 795 | 795 | 795 | 795 | 795 | 795 | **$4,770** |
| | | | | | TOTALS | | | | **$28,630** |
| | | | | | | | | GRAND TOTAL | **$79,830** |

# Appendix B:
## Mesa/Corporate Airlines Service Costs

# MESA AIR GROUP, INC.

## Subsidy Calculation for:
## DFW-HOT-HRO
## 12 Months May-2002 to May-2003
## 3 Round Trips between DFW-HOT and HOT-HRO

| | | Explanation | |
|---|---|---|---|
| Aircraft | Beech 1900D | | |
| Completed Departures | 3,557 | See Exhibit 2 | |
| Block Hours per Flight | 0.9 | See Exhibit 2 | |
| Total Block Hours | 3,259 | | |
| Average Seats per Departure | 19 | | |
| Round Trip Mileage | 750 | DFW-HOT:252 HOT-HRO:123 | |
| Average Mileage per Trip | 188 | | |
| Passengers per Trip | 3.0 | | |
| Total Passengers | 10,530 | per Incumbant | |
| ASMs | 12,671,813 | | |
| RPMs | 3,054,720 | per Incumbant | |
| Load Factor | 24.1% | | |
| Average Fare | $68.32 | per Incumbant | |
| REVENUES | | | |
| Passenger Revenue | $719,410 | per Incumbant | |
| Other Revenue | 7,194 | 1% of Passenger Revenue | |
| Total Revenue | $726,604 | | |
| DIRECT EXPENSES | | See Exhibit 3: | |
| Crew & Training | $439,975 | cost per BH = | 135.00 |
| Fuel & Oil | 347,417 | cost per BH = | 106.60 |
| Maintenance | 727,606 | cost per BH = | 223.26 |
| Aircraft Rent | 267,537 | cost oer BH = | 82.09 |
| Hull Insurance | 43,346 | cost per BH = | 13.30 |
| TOTAL DIRECT EXPENSES | $1,825,882 | | |
| INDIRECT COSTS | | See Exhibit 3: | |
| Flight Attendants | $0 | Inflight = | 0 |
| Traffic (RPM) Related | 219,940 | cost per RPM = | 0.072 |
| Marketing | 10,000 | EAS Alloc of 5K/city = | 10,000 |
| Capacity (departure) related | 516,887 | cost per Dep = | 145 |
| Capacity (ASM) Related | 126,718 | Cost per ASM = | 0.010 |
| TOTAL INDIRECT EXPENSES | $873,545 | | |
| TOTAL OPERATING EXPENSES | $2,699,427 | | |
| RETURN | 134,471 | 5% of Total Operating Expenses, excluding marketing expenses | |
| OPERATING PROFIT (LOSS) | ($2,107,294) | | |
| COMPENSATION REQUIRED | $2,107,294 | | |
| SUBSIDY PER ARV/DEP | $592.44 | | |
| SUBSIDY PER PASSENGER | $200.12 | | |

Exhibit 2

# MESA AIR GROUP, INC.

## Proposed Schedule
## DFW HOT/HR

## Beech 1900D - Se Aircraft

**From DFW-HOT-HRO - Tentative Schedule**

| Flt # | ORG-DEST | DEP | ARV | BLK TIME | FREQ | EQUIP |
|---|---|---|---|---|---|---|
| 721 | DFW-HOT | 1045 | 1200 | 1.25 | 123456 | B19 |
| 721 | HOT-HRO | 1210 | 1245 | 0.58 | 123456 | B19 |
| 723 | DFW-HOT | 1530 | 1645 | 1.25 | 12345 7 | B19 |
| 723 | HOT-HRO | 1655 | 1730 | 0.58 | 12345 7 | B19 |
| 725 | DFW-HOT | 2015 | 2130 | 1.25 | 12345 7 | B19 |
| 725 | HOT-HRO | 2140 | 2215 | 0.58 | 12345 7 | B19 |

**From HRO-HOT-DFW - Tentative Schedule**

| Flt # | ORG-DEST | DEP | ARV | BLK TIME | FREQ | EQUIP |
|---|---|---|---|---|---|---|
| 720 | HRO-HOT | 600 | 635 | 0.58 | 123456 | B19 |
| 720 | HOT-DFW | 645 | 800 | 1.25 | 123456 | B19 |
| 722 | HRO-HOT | 1300 | 1335 | 0.58 | 12345 7 | B19 |
| 722 | HOT-DFW | 1345 | 1500 | 1.25 | 12345 7 | B19 |
| 724 | HRO-HOT | 1745 | 1820 | 0.58 | 12345 7 | B19 |
| 724 | HOT-DFW | 1830 | 1945 | 1.25 | 12345 7 | B19 |

Average Block Time: 0.92

| **Total Departures** | Round Trip | Total |
|---|---|---|
| Departures per weekday | 3 | 12 |
| Number of weekdays | 5 | 5 |
| Total weekday departures | 15 | 60 |
| Round Trip Departures per Saturday | 1 | 4 |
| Round Trip Departures per Sunday | 2 | 8 |
| Total scheduled departures per week | 18 | 72 |
| Number *of* Weeks | 52 | 52 |
| Scheduled Annual Round Trip Departures | 936 | 3744 |
| Completion Factor | 95% | 95% |
| Total Completed Departures | 889 | 3557 |

CORPORATE AIRLINES, INC.
Subsidy Calculation for Hot Springs, AR
12 Months
3 Round Trips between HOT and MEM

| | | | |
|---|---|---|---|
| Completed Departures | 903 | | Exhibit 2 |
| Completed Operations | 1,806 | | |
| Block Hours per Flight Segment | 1.03 | | |
| Total Block Hours | 1,860 | | |
| Average Seats per Departure | 19 | | |
| Mileage | 182 | | |
| Passengers/Trip | 3.5 | | |
| Total Passengers | 6,321 | | |
| RPMs | 1,150,422 | | |
| ASMs | 6,245,148 | | |
| Load Factor | 18.42% | | |
| Average Fare | $70.00 | | |
| REVENUES: | | | |
| Passenger Revenue | 442,470 | | |
| Cargo/Other | 2,212 | 0.50% | Based on Passenger Revenue |
| Total Revenue | 444,682 | | |
| DIRECT EXPENSES | | | |
| Crew and Training | 339,356 | 182.43 | Per Block Hour - Exhibit 3 |
| Fuel and Into Plane Fees | 364,227 | 195.80 | Per Block Hour - Exhibit 3 |
| Maintenance | 389,637 | 209.46 | Per Block Hour - Exhibit 3 |
| Aircraft Lease | 141,252 | | Dedicated Aircraft |
| Insurance | 170,631 | | Dedicated Aircraft |
| Total Direct Expense | 1,405,103 | | |
| INDIRECT EXPENSES | | | |
| Station Costs at HOT | 175,800 | | Exhibit 4 |
| Station Costs at MEM | 340,684 | 188.64 | Per Departure - Exhibit 4 |
| Landing Fees at HOT | 2,817 | 3.12 | Per Departure - Exhibit 4 |
| Landing Fees at MEM | 27,623 | 30.59 | Per Departure - Exhibit 4 |
| Commissions, Credit Cards, etc. | 25,088 | 5.67% | Percent of Pax Revenue - Exhibit 5 |
| Reservations, Ticketing, CRS Fees | 49,809 | 7.88 | Per Passenger - Exhibit 5 |
| War Risk | 10,556 | 1.67 | Per Passenger |
| Additional Advertising | 15,000 | | Estimate |
| General & Admin./Other | 157,793 | 11.23% | % of Direct Expenses - Exhibit 6 |
| Total Indirect Expense | 805,170 | | |
| Total Operating Expense | 2,210,273 | | |
| Return | 110,514 | 5% of Expenses | |
| Total Economic Costs | 2,320,787 | | |
| COMPENSATION NEEDED | 1.876.105 | | |
| Subsidy per Arrival/Departure | 1,038.82 | Subsidy per Passenger | 296.81 |

# Appendix C:
## Financial Commitment

City of Hot Springs
Municipal Airport

525 Airport Road
Hot Springs National Park,
Arkansas 71913
(501) 321-6750
(501) 323-6754

April 17,2002

To Whom It May Concern,

RE: AIR 21 AIR SERVICE GRANT MATCH

When the Airport is receiving or requesting Grant Monies such as grants involving the FAA or other Federal Grants requiring matching funds, the City of Hot Springs has always approved the match to come from the Airport Fund and those funds budgeted., In this case, the $50,000 matching funds have been approved by the Airport Committee and by resolution of the City Board *of* Directors.

Sincerely,

George Downie

George Downie, Director
Hot Springs Memorial Field
Hot Springs, Arkansas

# Appendix D:
## Revenue & Expense Statements

Fiscal Year 2001

**City of Hot Springs**
**Finance Department**

Post Office **Box** *6300*
Hot Springs National Park,
Arkansas 71902
(501) 321-6821
(501) 321-6877 FAX

March 28, 2002

Federal Aviation Administration
Airports Compliance Division AAS-400
ATTN: Airport Financial Reports
800 Independence Avenue, SW
Washington, DC 20591

Enclosed you will find completed forms for the Operating and Financial Summary, FAA Foim No. 5100-125, and the Financial Governmental Payment Report, FAA Form No. 5100-126, for Hot Springs Memorial Field (HOT).

The 2001 audited financial statements will be released by June 30, 2002. I will forward a copy at that time. If you need further information, please contact me.

Sincerely,

Linda Baker, CPA
Finance Director

cc: Kent Myers, City Manager
George Downie, Airport Manager

Sponsor: City of Hot Springs

Name of Airport: Hot Springs Memorial Field (HOT)

Fiscal Year Ended, December 31, 2001

# Operating and Financial Summary

UNAUDITED

## Operating Revenue

| | | |
|---|---|---|
| **Aeronautical Operating Revenue** | | |
| 1. Landing Fees | $ 4,571 | |
| 2. Terminal/international arrival area rental or other charge | $ 11,633 | |
| 3. Apron charges/tiedowns | $ 3,853 | |
| 4. Fuel flowage fees | $ 122,086 | |
| 5. Utilities | $ 953 | |
| 6. FBO revenue: contract or sponsor-operated | $ 16,788 | |
| 7. Cargo and hangar rentals | $ 340,196 | |
| 8. Security Reimbursement | | |
| 9. Misc. (Should not exceed 5% of total aeronautical) | | |
| 10. Other (Enter total here and add attachment) See Attach #1 | $ 998,619 | |
| **Total Aeronautical Operating Revenue** | | $ 1,498,729 |
| **Non-Aeronautical Operating Revenue** | | |
| 1. Rent/land rental | $ 33,794 | |
| 2. Concessions | $ 12,600 | |
| 3. Parking | | |
| 4. Rental Cars | | |
| 5. In-flight Catering | | |
| 6. Interest Income | | |
| 7. Royalties from natural resource sales | | |
| 8. Misc. (Should not exceed 5% of total *nonaeronautical*) | | |
| 9. Other (Enter total here and add attachment) | | |
| **Total Non-hcronautical Operating Revenue** | | $ 46,394 |
| **Total Operatine Revenue** | | $ 1,545,123 |

## Non-Operating Revenue and Other Receipts

| | | |
|---|---|---|
| 1. Bond Proceeds | $ | |
| 2. Proceeds from sale of property not subject to Federal obligations | $ 370 | |
| 3. Proceeds from sale of property subject to SPA/grant obligations | | |
| 4. Grant payments | $ 1,441,908 | |
| 5. Passenger Facility Charges | | |
| 6. Other (Enter total here and add attachment) See attach #2 | $ 94,593 | |
| **Total Non-Operating Rev. and Other Receipts** | | $ 1,536,871 |
| **(Total Revenue and Other Receipts** | | **$ 3,081,994** |

## Operating Expenses

| | | |
|---|---|---|
| 1. Personnel Compensation and Benefits | $ 354,678 | |
| 2. Communications and Utilities | $ 49,957 | |
| 3. Supplies, Materials, Repairs, Maintenance | $ 84,588 | |
| 4. Services (1) | $ 129,575 | |
| 5. Insurance and Claims | $ 18,678 | |
| 6. Government in lieu, permit, impact fees, etc. | | |
| 7. Misc. (Should not exceed 5% of total op expenses) | | |
| 8. Other (Enter total here and add attachment) See Attach #3 | $ 789,306 | |
| **Total Operating Expenses** | | $ 1,426,782 |

## Non-Operating Expense and Other Fund Use

| | | |
|---|---|---|
| 1. *Debt* Service Payments Net of Capitalized Interest | | |
| 2. Transfers to Reserves | | |
| a. | | |
| b. | | |
| Total Transfers to Reserves | | |
| 3. Capital Expenditures | | |
| a. See attachment #4 | $ 3,679,037 | |
| b. | | |
| Total Capital Expenditures | | $ 3,679,037 |
| 4. Other Non-Operating Expenses and Fund Uses | | |
| a. See attachment #5 | $ 402,737 | |
| b. | | |
| Total Other Non-Operating Expenses and Fund Uses | | $ 482,737 |
| **Total Non-Op Exps and Other Fund Uses** | | $ 4,161,774 |
| **Total Expenses and Fund Uses** | | $ ***5,588,556*** |
| **REVENUE SURPLUS (LOSS)** | | $ (2,506,562 |

Guidance used for accounting (check one or more) GAAP: _X___ OMB Circular A-87 _X___

1) Services includes fees for other governmental services not included in other categories — Cash basis —— Accrual_X___ Other —— excpt for principal payments &capital

In compliance with section 47107(a) of the Title 49 United States Code and section 111(b) of the Federal Aviation Administration Authorization Act of 1994.

Please complete this form in order assist the public in understanding airport finances and the use of airport generated revenue.

I certify that the information on this form is true and accurate to the best of my knowledge and belief.

Authorized Representative

March 27 2002
Date

Finance Director
Title

FAA Form 5100-125 (xx)

AGENCY DISPLAY OF ESTIMATED BURDEN.

The FAA estimates that the average burden for this report form is 5 hours per response. You may submit any comments concerning the accuracy of this burden estimate or any suggestions for reducing the burden to the Office of Management and Budget. You may also send comments to the Federal Aviation Administration, Program Support Branch, ARP-11, 800 Independence Avenue, SW, Washington, DC 10591, Attention OMB Number 2120 0557

Fiscal Year 2000


**City of Hot Springs**
**Finance Department**

Post Office Box 6300
Hot Springs National **Park.**
Arkansas 71902
(501) 321-6821
(501) 321-6877 FAX

April 06, 2001

Federal Aviation Administration
Airports Compliance Division AAS-400
ATTN: Airport Financial Reports
800 Independence Avenue. SW
Washington, DC 20591

Enclosed you will find conipleted forms for the Operating and Financial Summary. FAA Form No. 5100-125, and the Financial Governmental Payment Report, FAA Fomi No. 5100-126. for Hot Springs Memorial Field (HOT).

The audited financial statements will be released by June 30, 2001. I will forward a copy at that time. If you need further infomiation, please contact me.

Sincerely.

Linda Baker. CPA
Finance Director

cc: Kent Myers, City Manager

UNAUDITED

# Operating and Financial Summary

Sponsor: City of **Hot** Springs

Name of Airport: **Hot** Springs Memorial Field (HOT)

Fiscal Year Ended: December 31, 2000

## Operating Revenue

| | | |
|---|---|---|
| **Aeronautical Operating Revenue** | | |
| Landing Fees | $ 3,944 | |
| Terminal/international arrival area rental or other charge | $ 13.969 | |
| Apron charges/tiedowns | $ 3.408 | |
| Fuel flowage fees | $ 148,627 | |
| Utilities | $ 1,323 | |
| FBO revenue contract or sponsor-operaled | $ 16,500 | |
| Cargo and hangar rentals | $ 297,583 | |
| Security Reimbursement | | |
| Misc (Should not exceed 5% of total aeronautical) | | |
| 0 Other (Enter total here and add attachment) See Attach #1 | $ 1,150,404 | |
| **Total Aeronautical Operating Revenue** | | $ 1,635,758 |
| **Non-Aeronautical Operating Revenue** | | |
| Rent/land rental | $ 30.934 | |
| Concessions | $ 11,233 | |
| Parhing | | |
| Rental Cars | | |
| In-flight Catering | | |
| Interest Income | | |
| Royalties from natural resource sales | | |
| Misc (Should not exceed 5% of total nonaeronautical) | | |
| Other (Enter total here and add attachment) | | |
| **Total Non-Aeronautical Operating Revenue** | | $ 42.167 |
| **Total Operating Revenue** | | $ 1,677,925 |

## Non-Operating Revenue and Other Receipts

| | | |
|---|---|---|
| 1 Bond Proceeds | $ | |
| 2 Proceeds from sale of property not subject to Federal obligations | $ 3,163 | |
| 3 Proceeds from sale of property subject to SPA/grant obligations | | |
| 4 Grant payments | $ 650,784 | |
| 5 Passenger Facility Charges | | |
| 6 Other (Enter total here and add attachment) See attach #2 | $ 108,245 | |
| **Total Non-Operating Rev. and Other Receipts** | | $ 762,192 |
| **Total Revenue and Other Receipts** | | $ 2,440,117 |

## Operating Expenses

| | | |
|---|---|---|
| Personnel Compensation and Benefits | $ 309,556 | |
| Communications and Utilities | $ 44,392 | |
| Supplies. Materials, Repairs, Maintenance | $ 137,589 | |
| Services (1) | $ 85,723 | |
| Insurance and Claims | $ 14.625 | |
| Government in lieu. permit. impact lees, etc | | |
| Misc (Should not exceed 5% of total op expenses) | | |
| Other (Enter total here and add attachment) See Attach 113 | $ 9313.745 | |
| **Total Operating Expenses** | | $ 1,530,628 |

## Non-Operating Expense and Other Fund Use

| | | |
|---|---|---|
| Debt Service Payments Net of Capitalized Interest | | |
| Translers Io Reserves | | |
| a | | |
| b | | |
| Total Transfers Io Reserves | | |
| Capital Expenditures | | |
| a See attachment #4 | $ 1,327,059 | |
| b | | |
| Total Capital Expenditures | | $ 1,327,05 |
| Other Non-Operaling Expenses and Fund Uses | | |
| a See attachment #5 | $ 520.372 | |
| b | | |
| Total Olher Non-Operating Expenses and Fund Uses | | $ 520.37 |
| **Total Non-Op Exps and Other Fund Uses** | | $ 1,847,43 |
| **Total Expenses and Fund Uses** | | $ 3,378,05 |
| **REVENUE SURPLUS (LOSS)** | | $ (937.94 |

Guidance used for accounting (check one or more) GAAP _X_ OMB Circular A-87 _X_

Cash basis —— Accrual_X_ Other ——

excpt for principal payments & capital

1) Services includes fees for other governmental services not included in other calegories

In compliance with section 47107(a) of the Title 49 United Slates Code and section 111(b) of the Federal Aviation Adminislration Authorization Act of 1994

Please complete this form in order assist the public in understanding airport finances and the use of airport generated revenue

I certify that Ihe information on Ihis form is true and accurate to Ihe best of my knowledge and belief

April 05 2001

Authorized Representative

April 05 2001

Finance Direclor

Title

FAA Form 5100-125 (xx)

AGENCY DISPLAY OF ESTIMATED BURDEN

The FAA estimates that Ihe average burden Ior this report form is 5 hours per response You may submit any comments concerning the accuracy of this burden estimate or any suggestions Ior reducing the burden to the Office of Management and Budget You may also send comments to the Federal Aviation Adminislration. Program Support Branch, ARP-11, 800 Independence Avenue, SW. Washinglon, DC 20591, Attention OMB Number 2120-0557

# Appendix E:
## Local Share ACIP Commitments

# RESOLUTION NO. 4745

A RESOLUTION ACCEPTING A GRANT FROM THE FEDERAL AVIATION ADMINISTRATION (FAA SECURITY FENCING PROJECT NO. 3-05-0031-10-01) FOR AIRPORT FENCING.

***WHEREAS,*** the City has received a grant offer from Federal Aviation Administration Department for certain improvements at Hot Springs Memorial Field Airport (security fencing project - runways, taxiways and ramp areas); and that

***WHEREAS,*** it is in the best interest of the citizens of Hot Springs, Arkansas, to accept said grant.

***NOW, THEREFORE, BE IT RESOLVED*** by the Board of Directors of the City of Hot Springs, Arkansas:

That the City Manager is hereby authorized to execute a grant agreement with the Federal Aviation Administration (FAA Security Project No. 3-05-0031-10-01).

PASSED: September 17, 2001

APPROVED: _____
MIKE BUSH, MAYOR

ATTEST: _____
LANCE HUDNELL, CITY CLERK

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September 17, 2001

TOTAL FEDERAL GRANT = $332,158
LOCAL SHARE COST = $18,453

# RESOLUTION NO. 4609

A RESOLUTION ACCEPTING A GRANT FROM THE FEDERAL AVIATION ADMINISTRATION (FAA Project No. 3-05-0031-09-01) FOR REHABILITATION OF THE TAXIWAY LIGHTING SYSTEM FOR ALL TAXIWAYS.

***WHEREAS,*** the City has received a grant offer from Federal Aviation Administration Department for certain improvements at Hot Springs Memorial Field Airport (rehabilitation of the taxiway lighting system for all taxiways); and that

***WHEREAS***, it is in the best interest of the citizens of Hot Springs, Arkansas, to accept said grant.

***NOW, THEREFORE, BE IT RESOLVED*** by the Board of Directors of the City of Hot Springs, Arkansas:

That the City Manager is hereby authorized to execute a grant agreement with the Federal Aviation Administration (FAA Project No. 3-05-0031-09-01).

PASSED: March 19, 2001

APPROVED: _____
MIKE BUSH, MAYOR

ATTEST: _____
LANCE HUDNELL, CITY CLERK

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March 19, 2001

TOTAL FEDERAL GRANT = $493,400
LOCAL SHARE COST = $27,411